



# **FY2007 LEVEL SERVICE BUDGET FORECAST**

Budget Process Committee  
January 19, 2006

# What is this Meeting About

- Presenting a Level Services Budget Forecast that can be used by citizens of Hamilton and Wenham to understand the beginning of the FY 2007 Budget Process
- Providing citizens access to information early in the process to allow for thoughtful consideration of FY 2007 Budget issues
- Hearing citizen's feedback: complete evaluation form

# Objectives

## ■ The Presentation will

- Inform citizens what a level-service budget forecast means
- Present data on the FY07 forecast for spending required to support a level service budget
- Demonstrate what items account for the majority of spending increases for the Towns and the School District
- Explain common assumptions developed and used by 3 entities

## ■ Next steps

- Develop the 2007 Budget
- Gather input at the February 1<sup>st</sup> T/S BPC Forum
- Consider options
- Make FY 07 budget decisions
- Vote FY 07 budgets

# Definition

A ***Level Service Budget Forecast*** is the estimated cost required to deliver the same level of services for the next fiscal year (FY 07) as we had in the current (FY 06) fiscal year, including all contractual increases & economic factors that affect the cost of these level services.

It is a useful tool for understanding the starting line for FY 07 budget development and how economics affect the planning process even before changes to services are considered.

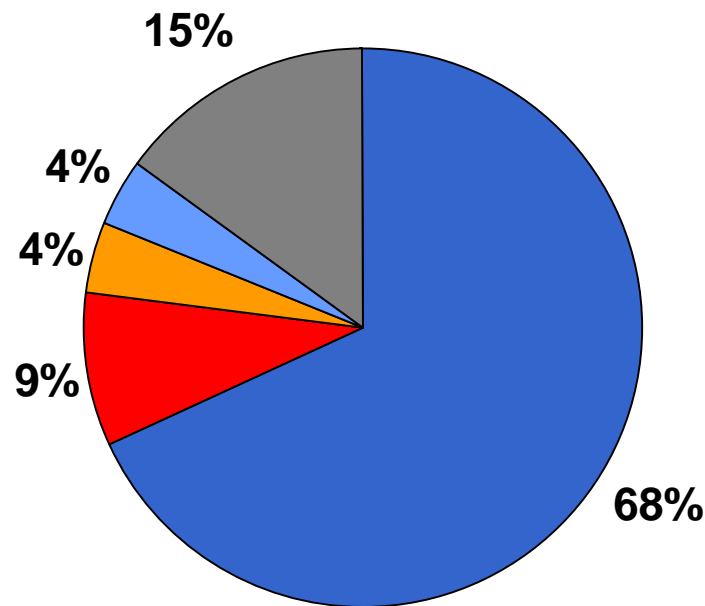
# FY 07 Level Service Budget Estimate by Entity

## FY06 Expense Budget

| (Hamilton & Wenham<br>figures do not include<br>FY06 HWRSD<br>Appropriation) |              | FY 07 Level<br>Service<br>Expenditure<br>Increase | FY 07 Level<br>Service<br>Expense<br>Estimate | Percent<br>Increase |
|--|--------------|---|---|---------------------|
| Hamilton   | \$8,135,000  | \$495,000   | \$8,630,000                                   | 6.08%               |
| Wenham   | \$6,226,000  | \$13,000  | \$6,239,000                                   | 0.21%               |
| HWRSD  | \$22,106,000 | \$1,738,000                                       | \$23,844,000                                  | 7.86%               |

# Big Budget Drivers

## Towns & School Expenditures as a % of FY06 Budget



- Salaries (68%)
- Health Insurance (9%)
- Special Education Non-Salary ( 4%)
- Fuel & Utilities (4%)
- Other (15%)

- Consolidated view of Towns & Schools based on FY06 “actuals”
- Salaries dominate the picture

# Big FY 07 Budget Drivers

## Salaries:

- The costs for all employees of the Towns and Schools that are currently negotiated and fixed as part of union or individual contracts.
- The level services budget forecast includes estimated increases for pending union contracts and non-union employees projected by each entity.

## Special Education:

- The mandated costs necessary to provide for special needs students.

## Health Insurance:

- The costs to provide health insurance for Town and School employees based on current staffing levels and current retirees.
- The projected rate increases to be provided to the Towns and Schools by their respective insurance providers.

## Utilities:

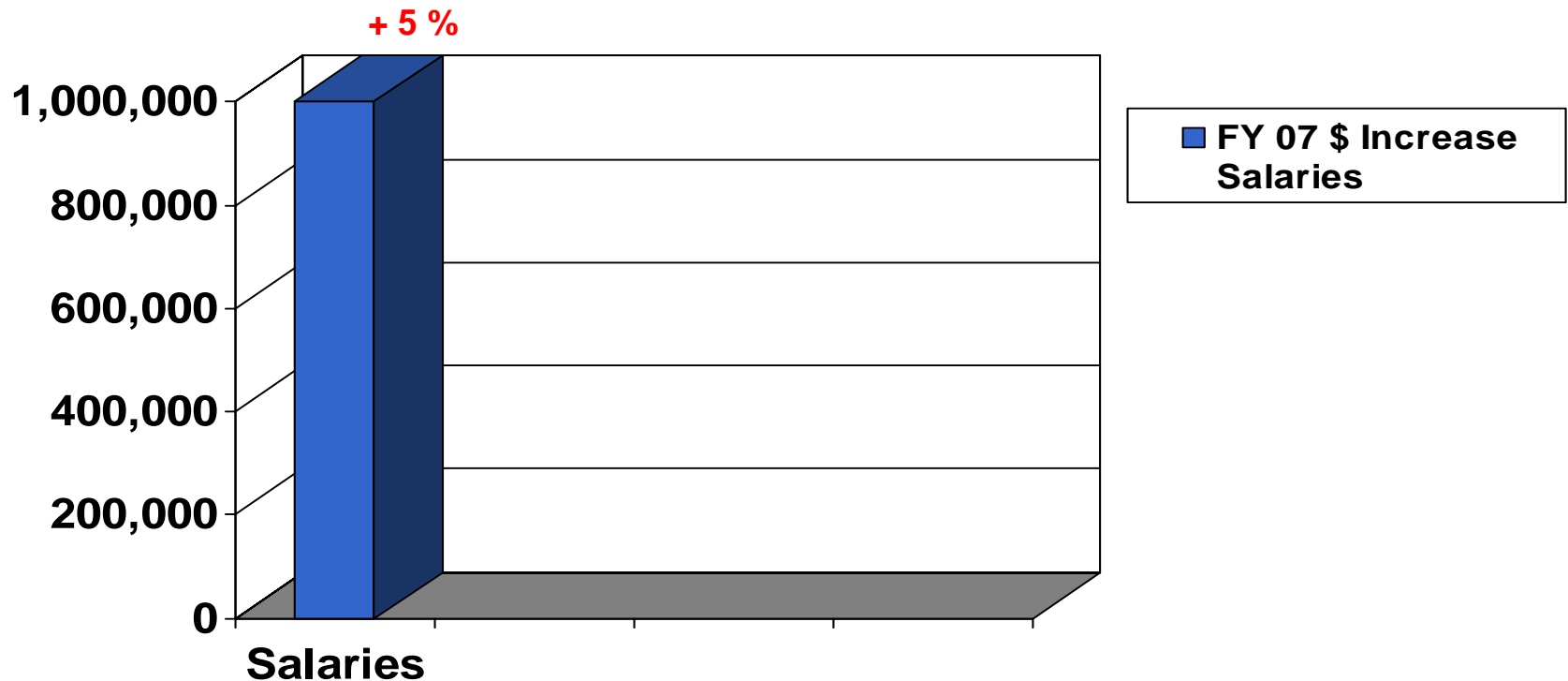
- The cost of natural gas, electricity, and fuels (diesel and petroleum).

## Other:

- Estimate of increases in non-salary accounts (e.g., maintenance contracts).



# A Level Service View of Estimated FY 2007 Spending Increases FY07 vs. FY 06 (3 entities combined)

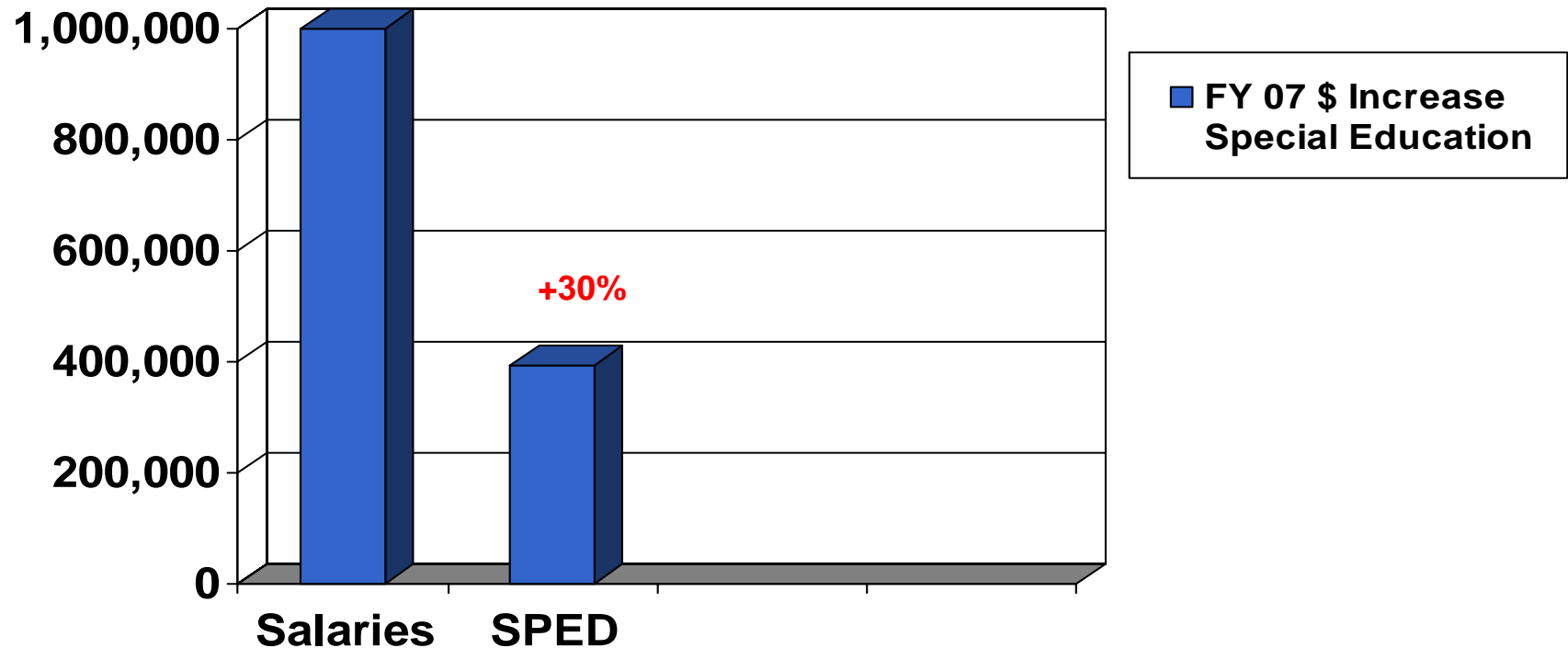


## ***Considerations:***

- Salaries governed by contractual obligations
- Largest budget driver and biggest number
- Graph represents combined Hamilton, Wenham, and HWRSD salaries



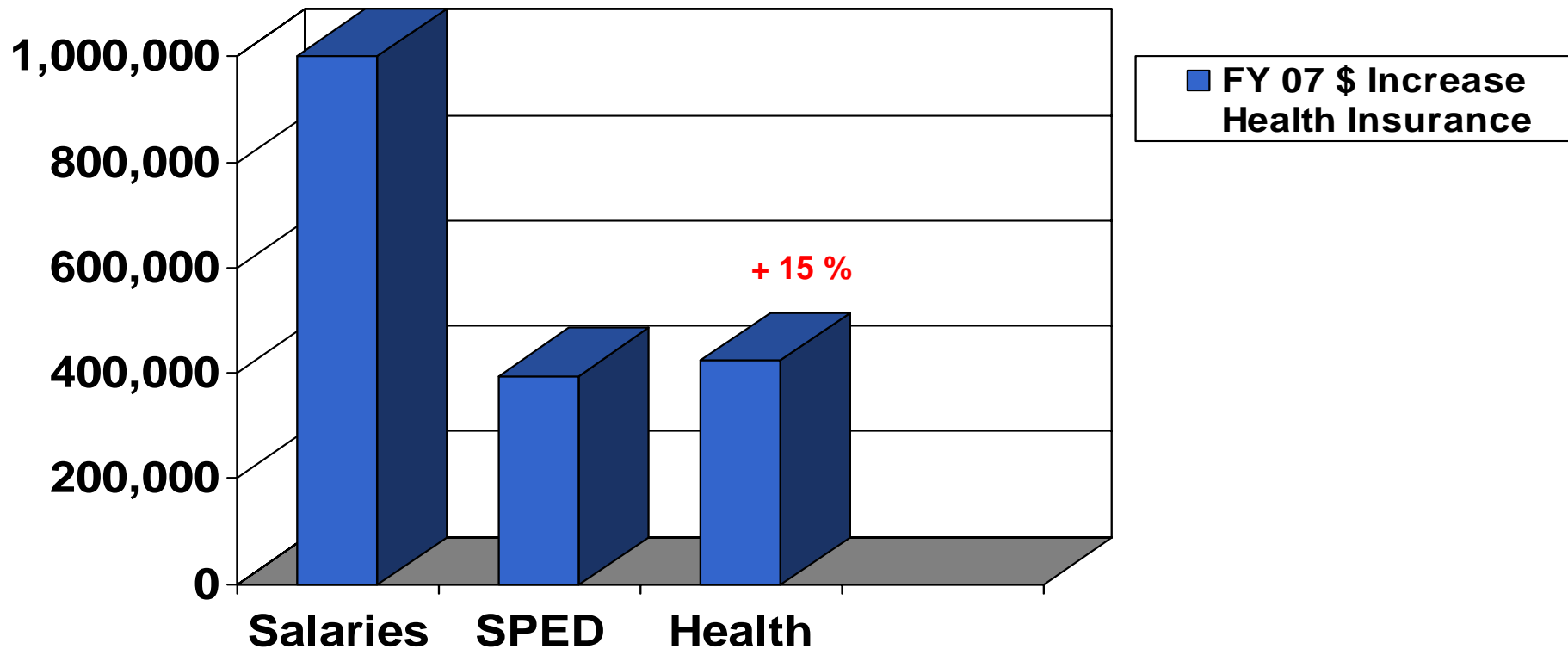
# A Level Service View of Estimated FY 2007 Spending Increases FY07 vs. FY 06 *(all entities combined)*



## ***Considerations:***

- Includes out-of-district placement, transportation, legal & related services (*OT, PT, ABA, Speech & Hearing*)
- Does not include salaries for special education
- Are state and federally mandated costs
- Are minimally funded at the federal and state levels

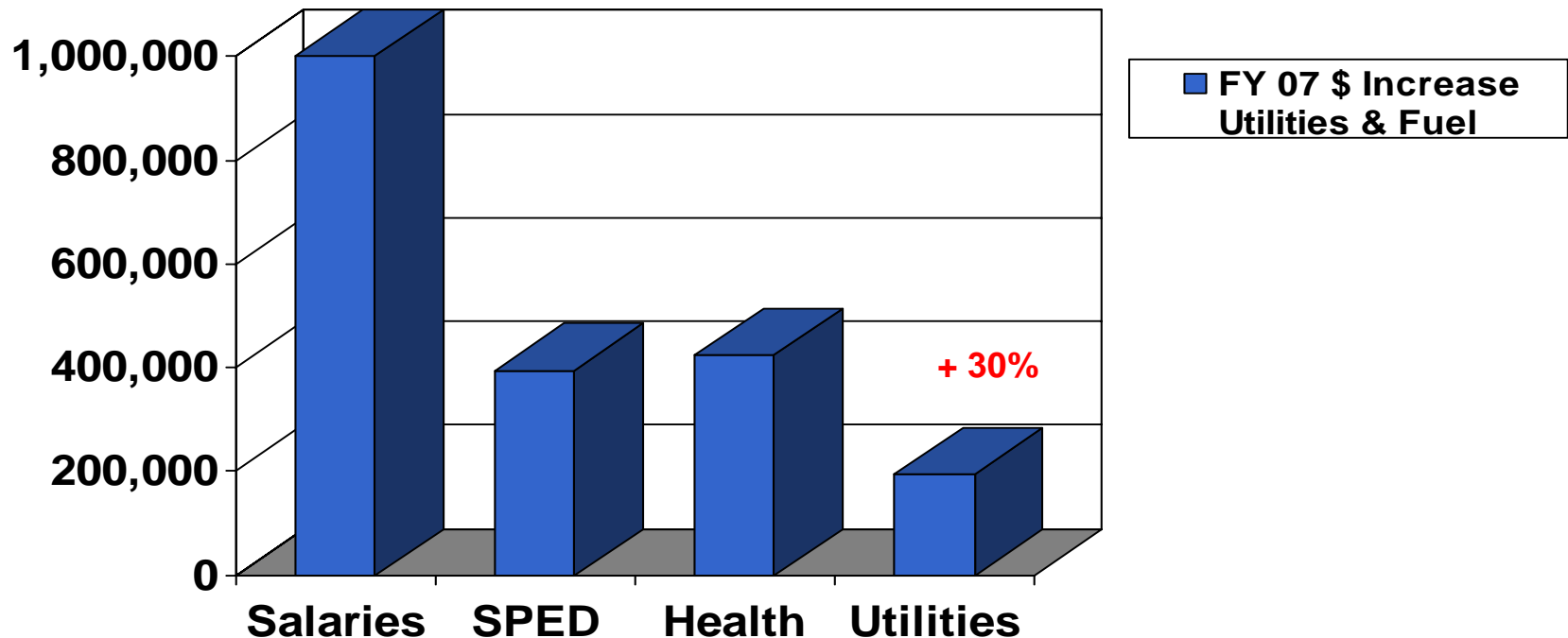
# A Level Service View of Estimated FY 2007 Spending Increases FY07 vs. FY 06 (*all entities combined*)



## **Considerations:**

- Assumes 15% rate increase
- Represents current and retired employees
- No effect from GASB 45 for FY 07
- No relief in sight

# A Level Service View of Estimated FY 2007 Spending Increases FY07 vs. FY 06 (*all entities combined*)



## ***Considerations:***

- Reflects costs for oil, gas and electricity
- Driven by the increased price of fuel

# Implications at level service...

- Is a combined increase of approximately \$2.6 million
- Exceeds FY 07 estimated Prop 2 ½ levy limit of the two towns by \$1.6 million
- Unknown level of FY 07 state revenue to towns and school district

# Conclusions

- FY 2007 Budget will require difficult decisions
- Important message for the T/S Budget Process Committee to deliver as early as possible
- Increasingly important to work on revenue generation as a long term solution
  - Economic development (commercial & industrial)
  - Payment in lieu of taxes (PILOT Programs)
  - Lobby state legislature for aid increases
  - State and federal funding of unfunded mandates

# Next Steps

- Obtain feedback from community at a forum on February 1<sup>st</sup>, 7:00 pm, Buker School
- Encourage citizen participation in all Budget Process Meetings
- Move forward with Budget Process to complete FY07 Budgets for Town Meetings
- Mark your calendar with upcoming budget hearings and forums as they are posted